

Deloitte News

August 2018, Deloitte in Slovakia

Direct Taxes:

- **Guidance on Classification of a Professional Sportsman's Income from Collective Sport**

The guidance defines the difference between individual and collective sports and possible legal forms of performing professional collective sports activity including the type of income under which such activity is to be categorised.

- **Information on the Calculation of Advances on Personal Income Tax**

The Financial Directorate has released information on the calculation of advances on personal income tax for the period from 4 April 2018 to 1 April 2019

- **Amendment to the Income Tax Act**

On 20 June 2018, Parliament approved a minor amendment to Act No. 595/2003 Coll. on Income Tax, effective from 1 October 2018.

- **Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI)**

The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) was ratified by the Slovak Republic on 30 July 2018.

- **Judgment of the Czech Republic in the Case of Documenting Costs of Advisory Services Provided by a Parent Company**

The Supreme Administrative Court of the Czech Republic has dismissed the cassation complaint filed by a business company against the tax authority that additionally taxed the costs of advisory services provided by the parent company due to their tax non-deductibility.

- **Judgment of the Czech Republic in the Case of Tax Base Reduction by a Loss From Assigning a Receivable**

The Supreme Administrative Court of the Czech Republic dismissed a cassation complaint filed by a business company against the tax authority that additionally taxed the difference between the face value of the interest and charges on the receivable on grounds of late payment fees and the price at which the company transferred the receivable to the transferee due to their tax non-deductibility

- **EU Court of Justice – VAT**

- ***C 665/16 Gmina Wrocław – Transfer of the Ownership of Property Belonging to a Municipality to the State Treasury in Return for the Payment of Compensation for the Purposes of the Construction of a National Road***

Article 2(1)(a) and Article 14(2)(a) of Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (the “VAT Directive”) must be interpreted as meaning that a transfer of ownership of immovable property belonging to a taxable person for value added tax purposes to the State Treasury of a Member State, carried out in accordance with the law and in return for a payment of compensation, constitutes a transaction subject to value added tax in a situation where the same person simultaneously represents the expropriating authority and the municipality that is the subject of the expropriation and where the latter continues the practical management of the relevant property, even if the payment of compensation has been made only by means of an internal accounting transfer within the budget of the municipality.

- ***C 320/17 Marle Participations SARL – Direct or Indirect Involvement of a Holding Company in the Management of its Subsidiaries***

The VAT Directive must be interpreted as meaning that the letting of a building by a holding company to its subsidiary constitutes “involvement in the management” of that subsidiary, which must be considered to be an economic activity within the meaning of that directive, giving rise to the right to deduct the value added tax (VAT) on the expenditure incurred by the company for the purpose of acquiring shares in that subsidiary, where that supply of services is made on a continuing basis, is carried out for consideration and is not exempt from VAT, and there is a direct link between the service rendered by the supplier and the consideration received from the beneficiary. Expenditure connected with the acquisition of shareholdings in subsidiaries incurred by a holding company which involves itself in the subsidiaries’ management by letting them a building has to be regarded as belonging to its general expenditure and the holding company has, in principle, the right to deduct VAT in full. Expenditure connected with the acquisition of shareholdings in subsidiaries incurred by a holding company which involves itself in the management of only some of those subsidiaries and which, with regard to the others, does not, by contrast, carry out an economic activity must be regarded as only partially belonging to its general expenditure, so that the VAT paid on that expenditure may be deducted only in proportion to the expenditure which is inherent in the economic activity, in accordance with the apportionment criteria defined by the Member States, which must have regard to the aims and broad logic of that directive and provide for an objective method of calculation which it is for the national courts to ascertain.

- ***C 421/17 Polfarmex – Transfer of a Building to a Shareholder as the Counterpart to the Buy-back of Shares***

Article 2(1)(a) of the VAT Directive must be interpreted as meaning that the transfer by a public limited company to one of its shareholders of the ownership of immovable property, made as consideration for a buy-back, under a mechanism for the redemption of shares provided for in national legislation, of shares held in its share capital by that shareholder, constitutes a supply of goods for consideration subject to value added tax provided that that immovable property is used in the economic activity of that public limited company.

- ***C-459/17 and C-460/17 SGI and Valériane SNC v Minister for Public Action and Accounts, France – Denial of the Right to Deduct Input Tax for the Lack of Actual Supply***

The VAT Directive must be interpreted as meaning that, in order to deny a taxable person the right to deduct the VAT appearing on that invoice, it is sufficient that the authorities establish that the transactions covered by that invoice have not actually been carried out.

- ***C-140/17 Gmina Ryjewo v The National Tax Authority, Poland – Adjustment of VAT Deductions on Immovable Property Acquired by a Municipality as Taxable Person***

The VAT Directive must be interpreted as not precluding a body governed by public law from being entitled to a right to adjustment of deductions of value added tax paid on immovable property acquired as capital goods in a situation where they could, by their very nature be used both for taxable activities and for non-taxable activities, but were initially used for non-taxable activities and that public body had not expressly stated its intention to use those goods for a taxable activity but had also not excluded the possibility that they might be used for such a purpose, provided that the taxable person must have acted as a taxable person at the time when it made that acquisition.

C-5/17 DPAS Limited v Commissioners for Her Majesty's Revenue and Customs – Transactions Concerning Payments and Transfers

The VAT Directive must be interpreted as meaning that the exemption from value added tax for transactions concerning payments and transfers does not apply to a supply of services, which consists for the taxable person in requesting from the relevant financial institutions that a sum of money be transferred from a patient's bank account to that of the taxable person pursuant to a direct debit mandate and that that sum, after deduction of the remuneration due to that taxable person, be transferred from the latter's bank account to the respective bank accounts of that patient's dentist and insurer.

Legal:

- **Amendment to the Civil Code**

The amendment aims at providing a special regulation of making time-barred claims under consumer contracts and how they can be secured.

Transfer Pricing:

- **The OECD Has Published Two Guidelines for the Application of the Profit Split Method and Hard-to-value Intangibles**

On 21 June 2018, the OECD published guidelines on the application of the profit split method and the hard-to-value intangibles under the BEPS actions (Base Erosion and Profit Shifting). The guidelines have been published on the official [OECD website](#).

Tax Administration:

- **Draft Act on Financial Administration**

The draft act should transform the Tax Office for Selected Tax Entities to the Office for Selected Economic Operators.

- **Information on the Terms of Inspecting a File**

The Financial Directorate of the Slovak Republic has published information on the right of the tax entity or its authorised representative to inspect files.

- **Information on the Terms of Filing an Amended or Additional Tax Return**

The Financial Directorate of the Slovak Republic has published information on the terms of filing an additional tax return under Act No. 563/2009 Coll. on Tax Administration and on Amendments to Certain Acts (the "Tax Code").

Others:

- **The Amendment to the Social Insurance Act Enables Pensioners Working Under an Agreement for Work Outside Employment to Claim a Relief on Contributions of up to EUR 200**

From 1 July 2018, pensioners are able to claim a relief on contributions for income of up to EUR 200 per calendar month under one agreement, ie the principle that applies to students performing summer jobs.

- **Increase of the Amount of Subsistence Level**

Change in the amount of subsistence level per natural person of full age from 1 July 2018.

- **Increase of the Maximum Limit of the Unemployment Benefits and the Benefits from the Employer's Insolvency Insurance**

From 1 July 2018, the maximum limit of unemployment benefits and benefits payable under the employer's insolvency insurance will increase with the amounts of the subsistence level and the general assessment base.

- **Obligatory Insurance of the Self-Employed Persons from 1 July 2018**

The Social Insurance Agency informed the insured about the terms that give rise to obligatory insurance in terms of generating income from self-employment.

- **Decree of the Ministry of Health of the Slovak Republic Providing Details of the Recognition of Advances on Insurance Contributions to the Public Health Insurance and the Annual Reconciliation of Contributions**

The Ministry of Health of the Slovak Republic issued a decree on the recognition of advances on insurance contributions to the public health insurance and the annual reconciliation of contributions.

Deloitte News:

- **taxCube™**

taxCube™ is a dedicated software developed by Deloitte to substantially increase the efficiency of the preparation of regular and additional VAT returns, VAT transactions statements and EC sales lists. taxCube™ simplifies and automates the preparation of VAT reports, reduces costs the risk of errors, and shortens the time needed for the preparation of VAT reports from days to hours.

taxCube™ performs a wide range of checks on imported data. taxCube™ is compatible with the IT environment and accounting procedures and methods that you use (use of exchange rates and credit notes, setup of tax codes, etc). Deloitte professionals will tailor the software to your needs.

More informations at www.taxcube.sk.

- **Deloitte VAT Analytics**

Deloitte has developed a tool enabling an aggregated review of the entire set of documents that are reflected in the VAT return, EC Sales List and VAT Transactions Statement. An input for VAT Analytics is a data file from an accounting system containing detailed information about accounting documents.

A Deloitte team of VAT specialists has prepared more than 70 tests which after uploading a data file check whether VAT rules have been applied correctly and identify specific accounting documents that could be incorrect. For more informations, please contact **Ján Skorka** at jskorka@deloittece.com.

- **Maják – Automated solution to check business partners**

Experience with tax audits shows that the best defence against inadvertent involvement in tax fraud is timely and effective prevention. However, Deloitte's survey has shown that companies are not very cautious in this respect. As a result, Deloitte has developed a proprietary application, Maják, which regularly checks public registers and performs comprehensive tests of selected suppliers and customers.

Please contact **Ján Skorka** at jskorka@deloittece.com.

- **Events of Deloitte in Slovakia – Autumn 2018 – <http://kalendar.deloitte.sk/>**

Deloitte Vat Academy 2018 - 4 moduls – Žilina

4., 5. October and 11., 12 October 2018

Villa Nečas, Pri celulózke 3494, 011 61 Žilina

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Deloitte Vat Academy 2018 - 4 moduls – Košice

18., 19 October and 25., 26. October 2018

Hotel Ambassador, Hlavná 73/101, 040 01 Košice

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- **Planned Webcasts of Deloitte in Slovakia – Autumn 2018 – <http://kalendar.deloitte.sk>**

Amendments to IFRS

19. September 2018

[Registration](#) | [More Informations](#)

GDPR – challenges and issues of application practices, and cyber security news

3. October 2018

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Claim management

24. October 2018

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RPA – Robotic Process Automation

8. November 2018

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Global HR Trends 2018

21. November 2018

[Registration](#) | [More Informations](#)

Customer Care Automation

12. December 2018

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Employee = Digital Ambassador

23. January 2019

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Please contact your usual Deloitte contact person or any of the contact persons listed here if you would like our help.



Partner

Larry Human
lhuman@deloitteCE.com



Partner

Martin Rybár
mrybar@deloitteCE.com



Partner

L'ubica Dumitrescu
ldumitrescu@deloitteCE.com



Slovak accounting and IFRS

Ján Bobocký
jbobocky@deloitteCE.com



VAT and Customs

Ján Skorka
jsorka@deloitteCE.com



Taxation of Companies

Jana Farkašová
jafarkasova@deloitteCE.com



Transfer Pricing

Martin Sabol
msabol@deloitteCE.com



Korean Desk

Jin Suk Choi
jinsuchoi@deloittece.com



Taxation of Individuals

Katarína Povecová
kpovecova@deloitteCE.com



Deloitte Legal

Róbert Minachin
rminachin@deloitteCE.com



Jozef Stieranka
jstieranka@deloitteCE.com



Dagmar Yoder
dyoder@deloitteCE.com

Deloitte Tax s.r.o.
Digital Park II
Einsteinova 23
851 01 Bratislava
Slovak Republic
Tel.: +421 2 582 49 111
Fax: +421 2 582 49 222
www.deloitte.sk

Deloitte Legal s.r.o.
Digital Park II
Einsteinova 23
851 01 Bratislava
Slovak Republic
Tel.: +421 2 582 49 111
Fax: +421 2 582 49 222

Our Offices

Bratislava

Digital Park II
Einsteinova 23
851 01 Bratislava
Tel.: +421 2 582 49 111
Fax: +421 2 582 49 222

Žilina

Komenského 8854/19
010 01 Žilina
Tel.: +421 905 365 282
Fax: +421 910 828 333

Košice

BCT 2, Moldavská cesta 8/A
040 11 Košice
Tel.: +421 55 728 1811
Fax: +421 55 728 1827

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